



Rockland Electric Company  
4 Irving Place  
New York NY 10003-0987  
www.oru.com

July 1, 2006

Honorable Kristi Izzo  
Secretary  
State of New Jersey  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

Re: In the Matter of Rockland Electric Company's 2006-2007 Annual Compliance Filing for its Universal Service Fund Program Factor within its Societal Benefits Charge Rate Pursuant to *N.J.S.A. 48:2-21* and *N.J.S.A. 48:-21.1*, BPU Docket No. EX00020091

Dear Secretary Izzo:

Rockland Electric Company ("RECO" or "the Company") hereby submits for filing its 2006/2007 USF Compliance Filing pursuant to its Schedule for Electric Service P.U.C. No. 2 – Electricity (the "Electric tariff") and Board orders dated April 30, 2003, July 16, 2003, June 30, 2004 and June 22, 2005 in the above-referenced proceeding. Such filing consists of an original and ten copies of Leaf No. 14 of RECO's Electric tariff in draft format. Please acknowledge receipt of this Compliance Filing by date stamping the enclosed copy of this letter and returning the same in the self-addressed envelope.

On behalf of all of the State's electric and gas public utilities, Public Service Electric and Gas Company has included in its annual USF compliance filing a series of worksheets that illustrate, by utility and statewide, USF recoveries and program costs to date. RECO hereby incorporates those worksheets by reference as if fully set forth herein. Based upon the results known to date for the 2005/2006 USF Program year and the available estimates for the 2006/2007 USF Program year, which are detailed in the referenced worksheets, it is proposed that the statewide electric USF Rate should decrease, to \$0.000637/ kWh, and that the statewide electric Lifeline rate should decrease, to \$0.000674/kWh, for the 2006/2007 USF Program year beginning on October 1, 2006.

Specifically, the proposed SBC set forth on draft Leaf No. 14 is 0.4388 cent per kWh, including SUT. This rate reflects (1) the proposed 0.3027 cent per kWh rate component, including SUT, relating to the Company's DSM programs and Clean Energy Programs which is to become effective on August 1, 2006; (2) the proposed 0.0637 cent per kWh rate component, including SUT, relating to the Universal Service Fund; and (3) the proposed 0.0674 cent per kWh rate component, including SUT, relating to Lifeline. The proposed SBC of 0.4388 cent per kWh, including the DSM and Clean Energy Program factor of 0.3027 cent per kWh to become effective on August 1, 2006, represents a decrease of 0.0035 cent per kWh from the current SBC rate of 0.4423 cent per kWh, which became effective on October 1, 2005.

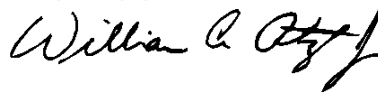
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After the October 1, 2006 implementation of the proposed statewide USF Rates, the Board or DHS may direct that the USF Program be modified in such a manner that the benefits to participants or the cost of the program will increase. If so, RECO requests the authority to petition the Board to increase the USF Rates on an expedited basis to recover additional increases in the 2006/2007 Statewide USF Program if the budget increases by \$5 million or more during the 2006/2007 USF Program year. Any such increases would be reconciled in the electric and gas public utilities' next scheduled annual USF compliance filing to be made no later than July 1, 2007.

In accordance with the Board's above-referenced June 22, 2005 Order, the Board directed the State's electric and gas public utilities to make annual filings for rate setting on each July 1st, including notice and public hearings. Because neither public hearings nor notice is required if the USF Charge will decrease on October 1, 2006, RECO has not included a form of public notice with this filing.

Questions regarding this filing can be directed to me at (212) 460-3308.

Very truly yours,

A handwritten signature in black ink, appearing to read "William A. Atzl, Jr.", with a stylized flourish at the end.

William A. Atzl, Jr.  
Director – O&R Rates

C: Attached service list

## GENERAL INFORMATION

### No. 29 SOCIETAL BENEFITS CHARGE ("SBC")

The SBC shall be applied to the kWh usage on the bills of all customers served under this Schedule. The SBC shall include costs, including current costs and any refund or recovery of prior period over- or under-collection balances, related to:

- (a) demand-side management ("DSM"), including the costs associated with DSM programs and DSM bidding programs ;
- (b) Clean Energy Program; and
- (c) Universal Service Fund and Lifeline.

The SBC to be effective on and after the date indicated below shall be set at 0.4388 cents per kWh including sales and use tax ("SUT"). The SBC includes the following Universal Service Fund and Lifeline rate components:

	Rate Component (¢ per kWh)	
	<u>Excluding SUT</u>	<u>Including SUT</u>
Universal Service Fund	0.0601	0.0637
Lifeline	0.0636	0.0674

The difference between actual costs incurred by the Company for the SBC components described above and SBC recoveries will be deferred, with interest, for future recovery in accordance with the Company's Plan for Resolution of Proceedings approved by the Board in its Summary Order dated July 28, 1999 and Final Order dated July 22, 2002 in Docket Nos. EO97070464, EO97070465 and EO97070466.

On April 1 of each year, the Company shall file with the Board the SBC rate components listed in (a) and (b) above for inclusion in the SBC effective for the twelve-month period commencing the following August 1. Such rate components shall be set to amortize any over- or under-recovered balances, including interest, and to provide current program cost recovery over the twelve-month period commencing the following August 1.

On July 1 of each year, the Company shall file with the Board the Universal Service Fund and Lifeline rate components for inclusion in the SBC effective for the twelve-month period commencing the following October 1. Such rate components shall be set to recovery any under-recovered balances, including interest, and to provide current program cost recovery over the twelve-month period commencing the following October 1, consistent with the Board's Universal Service Fund and Lifeline directives.

ISSUED: April 1, 2006

EFFECTIVE:

ISSUED BY: John D. McMahon, President  
Saddle River, New Jersey 07458